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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 001459

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SUBJECT: FSVTS ON ARMS TRANSFERS

REF: 08 MOSCOW 1503

Classified By: Political M/C Alice G. Wells. Reasons 1.4 (b), and (d).

¶1. (C) Summary. In a recent meeting with Washington analysts, Aleksandr Y. Skobeltsyn, Chief 2nd Department for Military-Technical Cooperation (FSVTS), reiterated FSVTS's role in Russia's arms export policy (reftel), stressing that his office focused on reviewing proposed arms sales to foreign countries, not export controls or dual-use item sales. He noted that Rosoboronexport (ROE) was the only Russian company authorized to export final systems, which were strictly controlled. While saying that Russia understood and shared U.S. concerns about re-transfer vulnerabilities, particularly in Latin America and the Middle East, Skobeltsyn commented that if Russia did not provide weapons to such countries, "someone else" would; nevertheless, he welcomed a continued dialogue on arms export policies. End summary.

#### FSVTS Role in Russia's Arms Export Policy

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¶2. (C) Skobeltsyn explained Russia's system for approving arms transfers and the FSVTS's role in that process (reftel). According to Skobeltsyn, the FSVTS is responsible for analyzing arms transfer requests and controlling export organizations. The FSVTS also prepares reference materials for customers about weapons exports and processes and is responsible for working out problems with orders before they reach the office of Russia's President for a decision about the transfer. Export controls are handled in a special division within the FSVTS that prepares lists and licenses that are included in the package submitted to the President. Skobeltsyn's service also prepares reference materials to accompany license requests. FSVTS only deals with military items, not dual purpose items, according to Skobeltsyn.

¶3. (C) Skobeltsyn commented that there were not many departments within the FSVTS, but that he saw this as an advantage because it allowed flexibility and says the ability to get information out "very quickly." Skobeltsyn emphasized that the President controlled all decisions on where to export and what weapons systems to export. Because Russia's Constitution did not grant the President the right to create new ministries, the FSVTS was created. He explained that the FSVTS was dependent on the Defense Ministry and the first drafts of all FSVTS documents must be coordinated with the Ministry of Defense before they go further. After this coordination occurs, the analysis and forecasts go directly to the President. Skobeltsyn maintained that the Russian arms transfer process was based on a set of open and transparent laws that include the Federal Law for Military-Technical Cooperation and that there is a list for items approved for sales abroad while there is another list of countries that are approved for cooperation. According to

Skobeltsyn, there are no pre-set times for revisions to the list and it has only been revised once, four years after it was initially created. The FSVTS was currently working on a second revision.

14. (C) Skobeltsyn repeated oft-heard comments that Moscow's arms transfers obeyed all UN resolutions and international laws. Skobeltsyn explained that if a country not on the pre-approved list makes an arms request, that request is submitted as a report to the President (described as a "prospective opportunity"). Then, the President makes a decision whether or not to fulfill the order in principal. This decision is made by the President in consultation and coordination with Russia's Security Council and the Commission on Military-Technical Cooperation.

15. (C) Skobeltsyn explained that there were approximately 25 organizations in the military-technical cooperation structure which were allowed to talk to foreign customers. However, no private organizations could analyze weapons sales or sell weapons, and only Rosoboronexport could export final arms systems; the other 24 companies could export spare parts. A formal application must be submitted to the FSVTS for approval before an arms sale can proceed. After receiving the application, the FSVTS decides if it wants a different company than the one the customer originally requested to handle the contract. According to Skobeltsyn, the official arms sale application includes the official request from a customer's Ministry of Defense for the item, and the end-user certificate or an official letter from the customer's government saying it will provide an end-user certificate by

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the time that the item is transferred. The FSVTS then nominates someone to act as the agent. This agent must have the end user certificate on file at all times.

16. (C) Skobeltsyn said that Moscow also requires all manufacturers to have licenses and end-user certificate copies on file, including those required for spare parts requests. Applications by a customer to re-export a Russian weapons system are special cases, however, because there are intellectual property rights concerns that are involved that are different from the initial application.

17. (C) Skobeltsyn explained that after a system is manufactured, ROE must apply for an export license from Russia's customs service. This application must include the official nomination of the legal agent to execute the contract, the official decision of Ministry of Industry verifying that a Russian company can produce the system, copies of the agreements between Russia and the customer country on general military-technical cooperation, the official Ministry of Defense decision to transfer the system, and documents about the system's technical specifics.

18. (C) After the export license is granted, it is submitted to the President because he must decide again whether to deliver the system, and the license indicates that the system is legally allowed to go across the border. Skobeltsyn said that it is only after the President's decision is made on delivery that the contract "enters into force."

19. (C) Skobeltsyn explained that the end user certificate is good for the life of the item and the Russia trusts its customers in other countries, but also has mechanisms in place to verify the end-use. Skobeltsyn said that the Russian military attache visits the customer and the ROE in-country service team is responsible for what is going on with the system. Russia, according to Skobeltsyn, has to "trust its customers" and cannot blindly make accusations or insist on inspections. He mentioned that there were penalties for unsanctioned re-exports, but that Russia "never thinks about ending the dialogue" with a country even if there are problems with a contract.

¶10. (C) Skobeltsyn said that MANPADS and ATGMs represent a special category of weapons to Russia. Moscow is in the process of developing a mechanism to control such weapons after delivery. Skobeltsyn said that Russia understood and shared US concerns about re-transfer vulnerabilities, noting that Latin America and Middle East were especially sensitive areas. But, he argued, if Russia did not provide these weapons to certain countries, than "someone else" would, and these other suppliers might not have the same concerns and the same after-delivery controls.

¶11. (C) Skobeltsyn said that he was not particularly concerned about the financial crisis because Russia had enough arms orders to last it at least two years. He also encouraged further communication between the US government and the Russian government on these issues saying, "we should talk face-to-face more."

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